



Wales Audit Office

QUALITY ASSURANCE REVIEW 2019 EXECUTIVE SUMMARY

Scope

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England & Wales (ICAEW) undertook an independent quality assurance review of the financial audit work carried out by the Wales Audit Office (WAO) in accordance with the terms of the contract between ICAEW and WAO dated 15 November 2016.

The scope of our work is set out in the contract and this was our sixth review at WAO. Our work focuses solely on financial audits carried out by the WAO financial audit practice and does not cover other activities of WAO or audits contracted out to private sector firms.

In accordance with the contract, we reviewed two financial audits to assess the quality of audit work and compliance with clarified International Standards on Auditing (UK) (ISAs), APB Practice Note 10 (PN10) and the Code of Audit Practice of the Auditor General for Wales (the Code). Our reviews include a review of the financial statements, audit planning, reporting, completion and principal areas of risk.

We also considered WAO's review of its whole firm/ISQC1 policies and procedures. We have not carried out any detailed testing of whole firm procedures.

Summary

Quality of audit work

Audit work on the two files we reviewed was of a generally acceptable standard, with an area for improvement only noted on one of the files reviewed. On file 1, the audit team identified a number of errors in their substantive tests of detail, which they didn't adequately conclude on, when considering what they needed to report to management. However, there was no indication that doing so would have altered the audit opinion given.

We also identified some other aspects on these audits where there is scope for some improvement, but these findings did not detract significantly from the overall quality of the audits. We also highlighted some minor aspects of the financial statements on file 1 where there is scope to improve the quality disclosures.

WAO's cold file reviews were not complete at the time of our visit, so we are unable to comment on overall consistency or whether WAO has an effective mechanism for internal monitoring of audit quality.

Whole-firm policies and procedures

WAO has replaced its previous matrix with separate documents covering policies and procedures, action plan and three year testing programme to improve clarity. While the WAO intended to use this to produce a quality report jointly with performance audit, this has yet to be actioned. However, in time it will provide a useful mechanism for reporting the results of testing and progress against the action plan. We have reviewed this update and we do not have any significant matters to raise.

Adequacy of response to matters we raised

WAO's actions in response to our findings in previous years at the engagement level have been largely effective and the results of our file reviews this year continue to demonstrate this.

WAO has accepted the matters we raised in our current visit and its response sets out details of actions to address them.

Overall conclusion

WAO continues to demonstrate a high level of commitment to audit quality standards and the files we reviewed demonstrate that generally appropriate quality levels are being achieved, with only one area for improvement noted on one file. WAO has continued to develop its monitoring of whole firm policies and procedures and plans further development in the year ahead, as it begins to consider the transition to ISQM1.



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